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U.S. DEPARTMENT OF COMMERCE

International Trade Administration

Renewable Energy and Energy Efficiency Trade Policy Mission to Peru

AGENCY: International Trade Administration, Department of Commerce

ACTION: Notice

MISSION DESCRIPTION

The U.S. Department of Commerce's International Trade Administration (ITA) is organizing a Renewable Energy and Energy Efficiency (RE&EE) Trade Policy Mission to Lima, Peru for November 12-13, 2014. The mission is designed to be led by a senior Department of Commerce official, and will focus on: 1) creating a policy environment conducive to growth in Peru's RE&EE market; 2) introducing U.S. RE&EE exporters to key Peruvian Government officials; and 3) supporting the United Nations Framework Convention on Climate Change annual meeting (COP-20) hosted by Peru in December 2014.

The RE&EE trade policy mission will promote the export competitiveness of U.S. wind, solar, geothermal, biomass, hydropower, waste-to-energy, smart grid, and energy efficiency industries; and will demonstrate U.S. Government support for Peru's strong renewable energy and energy efficiency goals.

The mission supports ITA's commitment in the Renewable Energy and Energy Efficiency Export Initiative (RE4I) to significantly increase U.S. RE&EE exports through the development and creation of new export opportunities.

Additionally, the mission supports the Administration's Look South initiative, which encourages companies to explore opportunities in the United States' 11 free trade agreement partner countries in Latin America. Renewable energy is in high demand throughout these growing and market liberalizing

countries. [Export.gov/looksouth](https://www.export.gov/looksouth) includes “Best Prospect” market snapshots on renewable energy opportunities in six Look South countries, including Peru.

COMMERCIAL SETTING

For the past decade, Peru has led South America as the country with the highest average annual growth in GDP (6.4%) and lowest inflation (2.9%). In fact, Peru’s credit rating was increased by Fitch Ratings to BBB+, making it the highest-ranked South American country after Chile. Much of the country’s growth has been a result of an expansion in energy-intensive mining, which has caused Peru’s energy demand to increase substantially. As a result, Peru has the fourth highest energy demand of any Latin American country, a challenge that is focusing new investment – both international and domestic – on the development of stable, domestically-produced, renewable energy resources.

To promote renewable energy development, Peru now offers several policy incentives, including priority dispatch for renewable electricity, accelerated depreciation of up to 20 percent for investments in machinery or equipment that support renewable energy deployment, and technology-specific auctions. The country also features a 5 percent clean energy generation target and a biofuel blending mandate of 7.8 percent. Peru’s Ministry of Energy and Mines (MEM) is currently considering a new target, as it is charged with updating the national renewable energy target every five years.

To date, the technology-specific auctions have been the key driver of renewable energy deployment in Peru, promoting the development of several wind, solar, small hydro and biomass projects across the country. Introduced in 2008, the auctions are conducted by the MEM and award contracts to developers that offer the lowest tariff per kilowatt (kWh) for a given technology. Prices are guaranteed for 20 years, providing a stable investment climate – the result of which has been considerable international investor interest in the market. In fact, Peru has held four renewable auctions, including one for off-grid solar capacity. In the on-grid tenders, Peru has awarded power contracts to 58 projects for a total of 882MW

from biomass, small hydro, solar and wind sources. According to its regulations, the Peruvian Government evaluates the need for additional auctions every two years.

Peru's liberalized power market and strong policy regime led to over \$1 billion of cumulative clean energy investment in 2012, with additional investment expected well into the future. Today, Peru generates 52 percent of its electricity from renewable sources – mostly from large hydro (43 percent), biomass and waste, solar and small hydro. Natural gas, oil and diesel account for the rest, with several large mining operations producing their own power using expensive diesel generators.

ITA expects export opportunities for U.S. companies in all six RE&EE subsectors, including wind, solar, geothermal, biomass, hydropower, and renewable fuels; as well as in the smart grid and traditional energy efficiency industries. Peru lacks complete supply chains in each of these sectors, indicating that any RE&EE development will result in imports, supporting opportunities for U.S. exporters that should be well positioned to compete effectively in the market. In particular, exporters that manufacture bearings, gearboxes, turbines, and blades for the wind industry, as well as wafers, cells, modules, and invertors for the solar industry should all find opportunities. Opportunities also exist for geothermal service exporters, including firms capable of providing exploration, production, and resource confirmation expertise; as well as for companies capable of supplying equipment or services to support ethanol or energy-from-waste development.

MISSION GOALS

The RE&EE trade policy mission will facilitate the development of an export market by supporting the establishment of policy incentives in Peru's emerging RE&EE market. The mission will occur at an opportune time, as Peruvian policy makers seek to establish policy environment to support RE&EE investment prior to the COP-20 meetings in December.

The delegation will have the unique opportunity to meet government officials, discuss policy concerns, and suggest creative solutions to Peru's energy challenges. Topics relevant to Peru's RE&EE expansion include:

- Rural electrification: Fourteen percent of the Peruvian population lacks access to reliable electricity. The Peruvian Government has announced plans to boost the electrification rate to 95 percent by 2015 through the deployment of solar technologies.
- Electricity prices: The Peruvian Government keeps electricity rates artificially low through direct subsidies which limit opportunities for efficiency and make renewable energy investment difficult.
- Financing: Local financial institutions appear unwilling to invest in renewable energy or energy efficiency projects, leaving the market to be sustained by international investors.
- Biofuels: Peru has struggled to meet its biofuel blending target, established in 2007, which mandates that 7.8% ethanol be blended into the country's gasoline stock, due to limited biofuel production and a lack of operations and maintenance supplier.

MISSION SCENARIO

The Renewable Energy and Energy Efficiency Trade Policy Mission will provide several opportunities for participants to discuss policy challenges with Peruvian Government officials. During the trade policy mission, participants will: 1) receive market briefings on the status of the renewable energy market in Peru, including an assessment of upcoming opportunities; 2) receive a Market Assessment Report on opportunities in Peru's renewable energy market; 3) be introduced to key Peruvian government and regulatory officials during meetings to discuss policies related to renewable energy and energy efficiency; and 4) attend a networking reception with Peruvian business persons and government officials organized by the U.S. Foreign and Commercial Service.

PROPOSED TIMETABLE*

Date	Day	Activity
November 11	Tuesday Lima, Peru	Arrive in Lima, Peru <ul style="list-style-type: none">• Welcome reception (in the evening)• Market briefing on RE&EE industry in Peru for mission participants by US&FCS Lima and Embassy staff
November 12	Wednesday Lima, Peru	<ul style="list-style-type: none">• Meetings with key Government officials and stakeholders
November 13	Thursday Lima, Peru	<ul style="list-style-type: none">• Seminar or Forum on RE&EE development in Peru hosted by AmCham Peru; or additional group meetings• Networking reception at Ambassador's Residence• Mission ends
November 14	Friday Lima, Peru	Depart Lima, Peru <ul style="list-style-type: none">• [OPTIONAL] Site visits for interested companies

***Note:** The final schedule will depend on the availability of local government and business officials, specific goals of the mission participants, and air travel schedules.

PARTICIPATION REQUIREMENTS

All parties interested in participating in the trade policy mission must complete and submit an application package for consideration by the Department of Commerce. All applicants will be evaluated based on their ability to meet certain conditions and best satisfy the selection criteria as outlined below. A minimum of 10 and maximum of 25 companies will be selected to participate in the mission from the

applicant pool. U.S. companies already doing business in Peru as well as U.S. companies seeking to enter to the Peruvian market for the first time may apply.

Fees and Expenses:

After a company or organization has been selected to participate on the mission, a payment to the Department of Commerce of a participation fee is required. The participation fee for the Trade Mission will be \$1,300 for a small or medium-sized firm (SME)¹, and \$2,300 for large firms. The fee for each additional firm representative (large firm or SME/trade organization) is \$500. Expenses for travel, lodging, meals, and incidentals will be the responsibility of each mission participant. Delegation members will be able to take advantage of U.S. Embassy rates for hotel rooms.

Exclusions:

The mission fee does not include any personal travel expenses such as lodging, most meals, local ground transportation, except as stated in the proposed timetable, or air transportation to and from the United States. Business visas are not required.

Conditions for Participation:

An applicant must submit a completed mission application signed by a company officer, together with supplemental application materials, including adequate information on the company's products and/or services, primary market objectives, and goals for participation. NOTE: Each applicant must also certify that the products or services it seeks to export through the mission are either produced in the United States, or, if not, are marketed under the name of a U.S. firm and have at least 51 percent U.S. content of the value of the finished product or service. If the Department of Commerce receives an incomplete application, the Department may reject the application, request additional information, or take the lack of information into account when evaluating the applications.

¹ An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations (see http://www.sba.gov/services/contracting_opportunities/sizestandardsttopics/index.html). Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing reflects the Commercial Service's user fee schedule that became effective May 1, 2008 (see <http://www.export.gov/newsletter/march2008/initiatives.html> for additional information).

Selection Criteria for Participation:

- Suitability of the company's products or services to the market;
- Applicant's potential for business in Peru and in the region, including likelihood of exports resulting from the mission;
- Consistency of the applicant's goals and objectives with the stated scope of the mission.

Referrals from political organizations and any documents containing references to partisan political activities (including political contributions) will be removed from an applicant's submission and not considered during the selection process. Diversity of company size and location may also be considered during the review process.

Timeline for Recruitment and Applications

Mission recruitment will be conducted in an open and public manner, including publication in the *Federal Register*, posting on the Commerce Department trade mission calendar (<http://export.gov/trademissions>) and other Internet web sites, including the Renewable Energy & Energy Efficiency Exporters Portal (www.export.gov/reee), press releases to general and trade media, direct mail, notices by industry trade associations and other multiplier groups, and publicity at industry meetings, symposia, conferences, and trade shows. Recruitment for the mission will begin immediately and conclude no later than September 15, 2014. Applications received after September 15, 2014 will be considered only if space and scheduling permit.

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